

USAID/Brazil

Annual Report

FY 2005

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Brazil

Performance:

President Luis Inácio Lula da Silva has made great progress in stabilizing Brazil's economy; inflation is now under control and investor confidence is growing. He has also launched several programs to address hunger, unemployment, health care and education. However, the long-term effectiveness of these social sector initiatives is still in question.

Brazil faces many daunting challenges. Heavy foreign debt remains a serious constraint to productive government spending, crime has grown dramatically, and unemployment is in excess of 20% in some major cities. Moreover, Brazil's income distribution continues to be among the world's worst. Approximately 15% of the population is illiterate, up to 20 million Brazilian's lack access to reliable energy, and an estimated 53 million people (one third of the population) live below the poverty line. Brazil is also home to 58% of all HIV/AIDS in South America and the majority of its malaria cases, and is a high-burden tuberculosis country. Finally, environmental degradation continues at an alarming rate, with 24,000 square kilometers lost in 2003 alone.

It is noteworthy that the Government of Brazil (GOB) has been extremely effective in implementing the kinds of fiscal and monetary policies required to eventually turn the tide on the difficult socio-economic challenges it faces today. Likewise, there is a clear commitment within the GOB and civil society to address the global issues reflected in the USAID strategy. In that regard, the Mission has developed a number of productive partnerships that are making significant contributions to the protection of Brazil's environment and unique biodiversity; reduction in greenhouse gas emissions and the promotion of alternative energy and energy efficiency; efforts to halt the spread of HIV/AIDS and other contagious diseases; poverty alleviation and the fight against trafficking and sexual exploitation of youth; and the promotion of free trade and Small and Micro Enterprises (SME) trade-led growth and employment.

The most important challenge facing USAID/Brazil is the difficulty of achieving concrete, sustainable results with a relatively modest budget given Brazil's huge size and the magnitude of its development requirements. The Mission has succeeded in this regard by concentrating in the geographic areas of most need and on interventions that strengthen and expand the capacity of NGOs and local communities. USAID/Brazil has showcased pilot activities that develop new methodologies and demonstrate potential for broad replication by others, and encouraged consortia and alliances that leverage additional participation and funding. Key achievements for the reporting period include:

HIV/AIDS Prevention and TB Control: USAID/Brazil completed the first year of implementation of its new six-year health strategy, which seeks to reduce the transmission of selected communicable diseases in target areas. The strategy is composed of two components: 1) HIV/AIDS prevention directed towards vulnerable/high risk populations and 2) tuberculosis (TB) control and treatment. Both programs are implemented in the geographic areas of highest disease concentration.

The HIV/AIDS prevention program contributes to a comprehensive GOB approach to the AIDS epidemic, which includes treatment, human rights promotion, and prevention. After consultation with, and endorsement by, the Brazilian Ministry of Health (MOH), USAID/Brazil initiated program implementation in three main areas: 1) support to NGOs that work with vulnerable/high-risk populations to increase provision of prevention services; 2) condom social marketing, including behavior change communications; and 3) support for the Brazilian epidemiological surveillance system and research assistance. In late 2004, the GOB concurred with USAID plans to expand its program in FY2005 to include the "A and B" components of the Abstinence, Be faithful, and Condom use (ABC) approach for HIV/AIDS prevention. . In TB control, program activities seek to expand the use of Directly Observed Therapy Short-Course

(DOTS), the World Health Organization-recommended strategy for TB diagnosis and treatment. The ultimate goals of expanding implementation of DOTS are to increase cure rates, identify new TB cases, and reduce mortality rates among TB patients.

USAID's HIV/AIDS program achieved excellent results in its first year of implementation of the Mission's FY2003-2008 Strategic Plan. However, delays in advancing the research component necessitated significant consultations, planning and modifications. This effort was highly successful, and the NGO strengthening component is now well underway. During its first year, PACT Brazil published its first Request for Applications (RFA) to identify Brazilian NGO partners to work with vulnerable and high risk populations. Of the initial 194 applications received, 22 proposals were selected for grants. Five out of the 22 were from NGO-formed consortia, which allowed PACT to rapidly expand the program to include a significant number of target groups. The total funding level for this first RFA was \$2,610,625; both the GOB and NGO observers lauded the transparency and effectiveness with which the procurement process was implemented. All activities funded through this RFA began implementation in late October of 2004. A new RFA is scheduled for early 2005. PACT Brazil expects to issue two RFAs per year through the end of the strategic planning period with a target of 100 NGO-implemented activities.

In the social marketing component, an RFA issued by the Futures Group resulted in awards to two NGOs that are now successfully providing targeted high risk audiences with two separate brands of condoms. A new RFA to attract new partners and widen distribution to vulnerable groups is also scheduled for release in early 2005. The Social Marketing of Condoms (SMC) also organized a Forum on Social Marketing of Condoms to discuss national policy for prevention of sexual transmission of HIV/AIDS for the Brazilian National AIDS Congress. During the forum, USAID/Brazil, PACT, The Futures Group, Brazilian Ministry of Health representatives, the National AIDS Program (NP) Directorate, NGOs, and private sector producers and importers engaged in discussions on access to condoms via social marketing. This event generated significant publicity and visibility for the social marketing program. Also, USAID and the National Business Council on HIV/AIDS launched a new partnership to address HIV/AIDS in the workplace. The results of this innovative private/public partnership included a corporate guide for reducing HIV/AIDS related stigma that included illustrative private sector best practices, and leveraged corporate funding and participation from over 20 multi-national partners.

In the research component, progress has not been as fast as anticipated due to technical concerns and lengthy administrative procedures related to research on human subjects mandated by the Ethics Committee of the Brazilian MOH. Changes in MOH senior staff contributed further to the delay. However, after discussions with USAID and other stakeholders, the NP nominated a high ranking research expert to be the focal point for quick and effective decision making, which has speeded work considerably. USAID advocated for narrowing the focus of research to better capture epidemiological data in vulnerable groups. The Mission also reached an agreement with CDC/GAP whereby CDC will manage the research component, tapping into its well-established comparative advantage. This action has resolved the slow start-up issues and set the stage for USAID-funded research to begin providing the Mission with crucial information on HIV infection trends within Brazil's most vulnerable populations.

USAID/Brazil has played a major role in the adoption of DOTS as the National policy for TB treatment. The Mission has defined "Increased Use of DOTS Services" as the percentage of pulmonary sputum smear positive TB cases in DOTS. Based on this indicator, results for the last year were very encouraging. The city of São Paulo began DOTS expansion activities with USAID-funded technical assistance from Johns Hopkins University at three sites in March 2004. When activities began, the percentage of pulmonary sputum smear positive TB in DOTS was 17.24%, 10% and 0% respectively. Recently collected data shows that the DOTS percentages have increased dramatically to 48.8%, 60% and 70%. The city of Rio de Janeiro, where our technical assistance is in its third year, now reports a current 73% average of pulmonary sputum smear positive TB cases in DOTS at three participating health center sites, and 93.7% for at a fourth site using an innovative community outreach approach.

Finally, in March 2004, USAID partner BEMFAM (a Brazilian NGO) began activities including all five elements of DOTS in the Recife metropolitan area in the state of Pernambuco. As a result, more than 1,600 health professionals have now been trained in DOTS, and directly supervised treatment has been

initiated in the six municipalities with the greatest absolute number of cases.

Environment: The USAID/Brazil Environment Program has made great strides in reducing environmental degradation in the Amazon and Atlantic rainforests. USAID partners, through an innovative consortia structure, have built upon research findings and management experience showing that protected areas alone are insufficient to avoid biodiversity loss. In FY 2004, the area under sound forest management plans and certification programs more than doubled its target, reaching 680,000 hectares. The area under certified community forest management also exceeded the target of 10,000 hectares, reaching 15,000. On a national scale, USAID-sponsored sustainable land use planning now covers an estimated 51,000 Km² of vitally important Brazilian rainforest, more than a four-fold increase over our original FY 2004 target.

USAID/Brazil is breaking new ground in the Amazon fostering networks for sustainability that are contributing to tangible improvements to the quality of life of severely underprivileged populations such as forest dwellers and smallholder farmers. An increase of more than 255% in the volume of revenues from sales of environmentally sustainable goods and environmental services benefiting poor rural communities was achieved during the reporting period, resulting in significant cash returns and enhanced livelihoods for community forest dwellers.

Much of the alarming deforestation that continued in the Amazon in 2004 is clustered along federal highway BR-163, extending north from the region that has become Brazil's soybean belt through the yet-unpaved stretch surrounded by unclaimed government lands in southern Pará, where deforestation is frequently associated with illegal land claims. USAID supports three Brazilian consortia with twenty-one partner organizations, working to strengthen the capacity of civil society to participate in public hearings on large infrastructure projects such as paving of this 1000 kilometer segment of BR-163. After USAID partners from the Green Highways consortium presented the Minister of National Integration with a map showing that land clearing in 2004 in certain areas surrounding the Xingu Indigenous Park already exceeds computer projections ten years into the future, the Minister agreed to postpone paving this highway until the regional participatory planning process is completed.

As a result of a new opportunity in FY 2004 to conserve biodiversity on Indian lands, USAID partners are now working directly with indigenous groups to develop self-managed territorial monitoring and vigilance systems that promote territorial integrity and environmental protection. Through direct support for village-level conservation actions, USAID expects to contribute to a body of indigenous experience that will influence Brazilian legislation, strengthening provisions for protection of traditional knowledge and recognition of the value of indigenous stewardship of biodiversity and environmental services.

Renewable Energy and Energy Efficiency: USAID/Brazil's Energy Program is addressing two major issues: global climate change and lack of access to energy services. The program is working to create an enabling environment for the use of renewable energy and energy efficiency technologies to extend the quality of life and economic benefits of reliable power to an estimated 20 million Brazilians that currently lack access to the national power grid.

Through its "Light for All" program, the GOB set an ambitious goal of providing access to power to all Brazilians by the end of 2008. The program's first year of implementation identified the key issues (institutional, regulatory, technical and financial) that are putting at risk the achievement of "Light for All" objectives. By implementing income-generating renewable energy demonstration projects, developing sustainable models, and providing technical and capacity building assistance, the USAID/Brazil Energy SO is providing the GOB with a number of key solutions to overcoming these barriers. As a result of this effort, the Ministry of Mines and Energy has expressed interest in entering into a formal agreement with USAID to increase our involvement in the "Light for All" initiative. The Mission will be working to define the scope of this cooperation in early 2005.

The USAID/Brazil Energy Program is being implemented through a Contract and a Cooperative Agreement with two U.S.-based institutions and eight local NGOs. Significant results were achieved this past year, including the engagement of the GOB in two important U.S. Presidential Initiatives: the Global

Village Partnership (GVEP) and the International Partnership for a Hydrogen Economy (IPHE); USAID assisted the GOB in designing both the GVEP work plan and the Hydrogen Road Map.

In FY 2004, the Mission supported the implementation of successful models for renewable energy delivery in rural areas. These models demonstrated that energy produced by renewable sources (solar, biomass, wind, and small-scale hydropower plants), when tied to productive applications, represents a viable means to both provide power to rural communities and improve quality of life. In FY 2004, over 10,000 households directly benefited from these projects (recent data revealed that average family income tripled within 12 months of each activity launch). The impressive results led the governments of Bahia and Ceara, where an estimated 3 million people lack access to energy, to request partnerships with USAID to broadly replicate USAID models with state funding.

With respect to policy reform, the program directly supported the drafting of two new pieces of federal legislation to expand subsidies to renewable energy projects and the commercialization of bio-fuels, in addition to a regulatory act that grants 50% discounts in transmission and distribution rates charged for power produced from renewable energy sources (small hydro, wind, solar, biomass and co-generation plants). To validate these and other results, a data quality assessment will be conducted in 2005.

Assistance to Disadvantaged Youth: Of the 53 million Brazilians living below the poverty line, an estimated 22 million are youth between the ages of 16 and 24. Faced with a deficient educational system and unemployment rates of up to 26%, these youth must develop the life and technical skills necessary to compete in the job market. Trafficking in persons (TIP) for sexual purposes is another factor threatening Brazil's underserved youth - an alarming increase in commercial sexual exploitation, sex tourism and domestic violence has led to a firm GOB commitment to address these social and criminal issues through integrated anti-trafficking programs. USAID is at the forefront in helping Brazil to address these critically important issues.

USAID's Disadvantaged Youth program is working: 1) to provide at-risk youth with increased access to viable employment opportunities through state-of-the-art technical training and life-skill building, corporate mentoring programs, compensated internships and on-the-job training in the formal sector; and 2) to curb TIP for sexual exploitation purposes; provide direct services to victims to help them engage in legitimate, income-generating activities; and direct victims to legal and law enforcement services to facilitate the prosecution of perpetrators and the dismantling of TIP crime rings.

Through a GDA partnership that is leveraging support from the International Youth Foundation, the Inter-American Development Bank (IDB) and the National Association of Travel Agencies, Hotels and Restaurants, USAID successfully trained an initial group of 240 disadvantaged youth in 2004. From this class, 80% found viable jobs and internships in hotels, restaurants and travel agencies. During the World Tourism Forum held in Salvador, Bahia in November of 2004, the Brazilian Ministry of Tourism signed an agreement with USAID's grantee partners to expand this youth training program to 23 major tourist cities across Brazil at GOB cost. This initiative will directly benefit over 6,000 poor youth while broadly disseminating the USAID-developed methodology.

The Information and Communication Technology (ICT) component of USAID's youth employability program is providing over 800 young people and 50 educators with a 450-hour training course. The participants conducted market surveys to identify the main factors and barriers that potential employers considered when hiring young people and are now launching a campaign to decrease prejudice against young workers that come from poor communities. Target market insertion rates for this group were established at 30% and will be reported in 2005. As is the case throughout the USAID/Brazil program, the development of an effective methodology that can be replicated by the GOB, state governments, and other donors is key to this innovative program.

Important results were also achieved under USAID's follow-on TIP activities, although a 50% cut in the management contract funding level considerably reduced the Mission's ability to meet targets. Under a Memorandum of Understanding (MOU) signed in 2004, USAID is actively working to strengthen a nationwide network of government centers that provide emergency health, legal and psycho-social

services to TIP victims. Over 1,300 public agents, including social workers, psychologists, physicians and teachers received USAID-sponsored training in 2004, which enabled them to design local operational plans and strategies for 2005. In the past 12 months, USAID partners identified over 700 cases of commercial sexual exploitation, of which 108 involved illegal trafficking. Victims were referred to legal, health and psychosocial assistance. USAID/Brazil has been identified to receive \$1.5 million under the Presidential TIP Initiative in 2005 that, according to the criteria established by an inter-agency committee, will be used to start new anti-TIP activities outside of the scope of our ongoing program. The Mission is confident that it will be able to effectively manage both of these activities if/when the \$1.5 million in Presidential TIP Initiative funding is received.

Free Trade, Trade-led Small and Micro Enterprises (SME) Growth and Employment, and Poverty Alleviation: USAID/Brazil's SO11 -Economic Opportunities for SME Growth, Trade, and Poverty Reduction- focuses on three main areas: (1) trade led small and micro-sized enterprise growth and employment; (2) promotion of the Free Trade Area of the Americas (FTAA); and (3) support for a social safety net (the Government of Brazil's Zero Hunger Program).

Brazilian public and private sector partners share a common interest in SME development and trade issues and are providing significant resources to promote sectoral development. To support this effort, USAID established a Board of Directors (Steering Committee) to guide an assessment of existing constraints to SME development and participation in export markets; review findings and develop a responsive strategy; and lobby for appropriate legal and regulatory reform. Through this process key stakeholder input and concerns are being heard, thus maximizing synergies and leveraged investments. The Board includes SEBRAE (the Brazilian SBA), the Inter-American Development Bank, the International Finance Corporation, The World Bank, APEX (the Brazilian Agency for Export Promotion), CNI (the National Confederation of Industries), BNDES (the National Development Bank), the American Chamber of Commerce, and Banco do Brasil (National Commercial Bank). By partnering with these stakeholders and decision makers, USAID has built a broad-based, national coalition with a wealth of experience, political influence, and resources. A contract was signed in September 2004 with Development Alternatives Inc. (DAI) to facilitate and implement this activity. DAI will work with the Board of Directors in three focused program areas: 1) policy advocacy; 2) cluster development; and 3) access to finance.

USAID/Brazil has also sponsored Free Trade Area of Americas (FTAA) outreach events in several industrial cities to engage public opinion makers and industry representatives in factual discussions on FTAA and free trade, highlighting the North American Free Trade Agreement (NAFTA) as the best hemispheric example of the benefits of a free trade. Most recently, the Mission conducted outreach seminars in three major cities in the north and northeast of Brazil that engaged more than 1,500 entrepreneurs and students in frank discussions ranging from market access and information to financial services and credit. USAID also sponsored three roundtables that expanded dialogue between U.S. officials and principal Brazilian businesses and trade experts on a host of trade issues.

With respect to our poverty alleviation component, a cooperative agreement was signed with Catholic Relief Services at the end of FY 2004. The program is working to reduce food insecurity in three poor GOB priority Zero Hunger Program communities. Specific activities include the building of water cisterns for potable consumption and agriculture, the development of community restaurants providing affordable and nutritious meals to poor residents and related training, micro-credit, and a small grants program to fund community-based income generation activities. The project will have a direct impact on 13,000 people and serve as a model for national replication by the GOB and by other donors. For its part, the Ministry of Social Development and Combating Hunger will contribute seed banks, adult literacy programs, community health facilities and other Zero Hunger Program components in the USAID program communities.

Results Framework

512-001 Environmentally and Socio-Economically Sustainable Alternatives for Sound Land Use Adopted Beyond Target Areas

SO Level Indicator(s):

1. Number of forest sites that adopt aspects of sustainable forest management techniques in addition to target operations
2. Number of conservation units in which government or private owners adopt aspects of sustainable management systems in addition to target areas
3. Number of families outside target area who have adopted improved sustainable management systems

IR 1.1 Systems for sound land use identified, promoted and adopted in target areas

IR 1.2 Target institutions and local human capacity strengthened

IR 1.3 Target policies adopted and/or implemented that support environmentally sound land use adopted and/or implemented

IR 1.4 Sound land use systems disseminated beyond target areas

512-002 Increased Adoption by Key Actors of Concepts, Methods, and Technologies for Clean and Efficient Energy Production and Use

SO Level Indicator(s):

1. Incorporation of concepts, methods and technologies for clean and efficient energy production and use in the operations of key actors.

IR 2.1 Targeted policies promoted that foster clean and efficient energy production and use

IR 2.2 Increased access of key actors to information on market-based mechanisms for operating and financing clean and efficient energy production and use

IR 2.3 Increased availability and use of financing for clean and efficient energy production and use

IR 2.4 Increased technology cooperation between U.S. and Brazilian firms for clean and efficient energy production and use

512-003 Increased Effective Programs to Prevent HIV Transmission and Control Tuberculosis

SO Level Indicator(s):

1. HIV seroprevalence among 15-24 year olds
2. Incidence of HIV/AIDS among groups at increased risk in targeted areas
3. Incidence of active TB in targeted areas

IR 3.1 Improved HIV/STI prevention and care among groups at increased risk in targeted areas

IR 3.2 Strengthened health system capacity to implement DOTS

512-005 Improved Ability of At-Risk and Working Children to become Productive, Healthy Citizens

SO Level Indicator(s):

1. Percentage of program-assisted youth that find legitimate, income-generating work
2. Number of program-assisted youths that receive health-related services
3. Percentage of under-age working children removed from labor situations and attending school

IR 5.1 Society engaged in decreasing violence against youth

IR 5.2 Educational preparation of program-assisted youth increased

IR 5.3 Awareness of health-related risk behavior by program-assisted youth increased

IR 5.4 Urban under-age working children identified and incorporated into the educational system

IR 5.5 Dissemination and adoption of lessons learned and successful approaches

512-007 Transmission of Selected Communicable Diseases Reduced in Target Areas

SO Level Indicator(s):

1. HIV seroprevalence levels for 15-24 (disaggregated to 15-19 and 20-24 age groups)
2. HIV seroprevalence among commercial sex workers, males who have sex with males, and injecting drug users

- IR 7.1 Increased use of HIV/STI prevention and care practices among high-prevalence groups
- IR 7.2 Increased use of DOTS services

512-008 Natural Ecosystems Sustained

- IR 8.1 Sound Forest Management Practices Improved
- IR 8.2 Markets for Environmental Goods and Services Developed to Provide Tangible Economic Benefits for Poor Communities
- IR 8.3 Integrated landscape mosaics that sustain environmental and socioeconomic benefits incorporated into government planning and policies

512-009 Global Climate Change Mitigated Through Renewable Energy and Energy Conservation
SO Level Indicator(s):

- 1. Number of people that adopt new practices that reduce greenhouse gas emissions
- IR 9.1 Improved policy and regulatory framework promoting renewable energy and energy efficiency
- IR 9.2 Increased technology cooperation and transfer between U.S. and Brazilian firms to support clean and efficient energy production and use
- IR 9.3 Market development for renewable energy and energy efficiency

512-010 Access to Training and Employability Skills and Opportunities Increased for Disadvantaged Youth

SO Level Indicator(s):

- 1. Number of youth completing training courses
- 2. Percentage of youth graduating from training courses and inserted in the job market
- IR 10.1 Increased marketable skills training for at-risk youth
- IR 10.2 Increased access of at-risk youth to formal market employment opportunities
- IR 10.3 Improved policies and programs to curb trafficking in persons

512-011 Increased Economic Opportunities for Trade Led Small and Medium Enterprise Growth and Poverty Reduction

SO Level Indicator(s):

- 1. Number of export jobs sustained/created
- IR 11.1 Small and medium-sized enterprise growth and employment
- IR 11.2 Promotion of the Free Trade Area of the Americas
- IR 11.3 Social safety net support